Supplementary Materials:
Financial Results for the Three Months Ended March 31, 2021



April 28, 2021

Kanro Inc.

(TSE: 2216)

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Review for FY2021 Q1 (Jan. to Mar. 2021)

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Market environment/status of business in FY2021 Q1

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◆Market environment

- In Q1 (January-March), the candy market declined over the previous year (hard candy was down 19.9% and gummies were down 1.1%).*1
- This was due to mask-wearing becoming common and was also a reactionary decline following the rise in demand for throat drops in the previous year.

*1, 2 Data changes: these figures were calculated using a new method beginning in Q1 of the fiscal year ending on December 31, 2021 due to changes in the method for calculating INTAGE Inc. SRI+.

◆Status of company business

- COVID-19 measures were thoroughly implemented and normal manufacturing continued.
- Revenue and income fell over the previous year (net sales fell 11.0%, operating income was down 79.1%, ordinary income dropped 78.7% and net income declined 67.3%).
- Candy category: Earnings on bagged candy, particularly throat drops, fell sharply, and earnings on candy in stick-shaped, compact packaging continued to decline due to a drop in demand for candy in offices and spending on outings.
- Gummy category: Demand for the revamped Puré Gummy and Puré Ring, aimed at parents and their children, was strong, and new products also provided a boost. As a result, sales rose over the previous year.
- Market share (January-March [figures in parentheses indicate results in previous year]): Hard candy (20.7% [19.6%]), gummies (16.1% [14.5%]).*2
- Kanro was selected for the Ministry of Economy, Trade and Industry's New Diversity Management Selection 100 in FY2020.

*1 (Source) INTAGE Inc. SRI+ Hard candy and gummy markets Y-o-Y change in sales amount by type from Jan. to Mar. 2021 total
*2 (Source) INTAGE Inc. SRI+ Hard candy and gummy markets Kanro's share in sales amount by type from Jan. to Mar. 2021 total

Summary of FY2021 Q1 performance

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Unit：million yen

	FY2021 Q1	FY2020 Q1			FY2021 earnings forecasts	
	Actual	Actual	YoY	YoY%	Full year	Rate of progress
Net sales	5,439	6,112	(672)	(11.0) %	24,600	22.1 %
Operating income	91	439	(347)	(79.1) %	840	10.9 %
Ordinary income	93	439	(346)	(78.7) %	860	10.9 %
Net income	109	333	(224)	(67.3) %	590	18.5 %

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Overview of Selling, General and Administrative Expenses in FY2021 Q1

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Unit：million yen

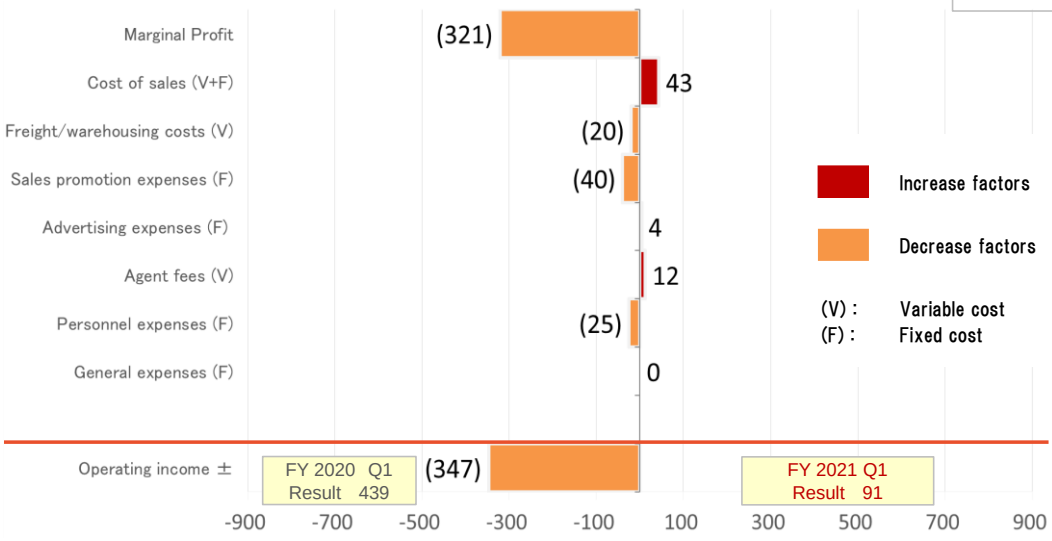
	FY2021 Q1			FY2020 Q1	FY2021	
	Actual	YoY	YoY%	Actual	1H forecast	Full-year forecast
Net sales	5,439	(672)	(11.0)%	6,112	11,700	24,600
Cost of sales	2,865	(267)	(8.5) %	3,133	—	12,782
Freight/warehousing costs	318	(16)	(4.8) %	334	—	1,455
Sales promotion expenses	192	40	26.6%	151	—	850
Advertising expenses	71	(4)	(6.0) %	76	—	447
Agent fees	718	(103)	(12.6) %	821	—	3,280
Personnel expenses	799	25	3.3%	773	—	3,270
General expenses	382	0	0.2%	382	—	1,676
Operating income	91	(347)	(79.1) %	439	270	840

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Factors of changes in OP（ FY2020 Q1 VS. FY2021 Q1）

Unit: million yen



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Primary New and Revamped Products in January-March

- *Puré Gummy* : Revamped
  - Launched on March 2, 2021
  - We accentuated the various fruit tastes even more and refined the taste to enhance the flavor. Using fruit pastes, we sought a crisp fruit texture.
  - Packages come in five colors for each of the flavors, resulting in an amazingly varied total of 20 colors.



- New flavor for *Kanro Ame*: *Salt Kanro Ame*
  - Launched on March 30, 2021
  - We created a deep flavor with the perfect umami by combining salt made from Muroto deep-sea water and the richness of soy sauce that characterizes *Kanro Ame*.
  - By using kombu extract and sesame oil as back-flavors, we added a refreshing depth of flavor and umami, resulting in a taste that is welcome even during hot seasons.



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Selected for New Diversity Management Selection 100 in FY2020

The New Diversity Management Selection 100 is

- a program in which the Ministry of Economy, Trade and Industry introduces the cutting-edge initiatives taken by companies translating the promotion of diversity into business results to a broad audience and these companies are honored by the Minister of Economy, Trade and Industry.

- Examples of specific diversity initiatives taken by Kanro
  - We established a Diversity Promotion Office and publish a company newsletter on our website as well as a summary for specific life stages.
  - We held a “Papa Mama Café” (our name for discussion meetings bringing together employees with young children to share information and concerns).
  - Projects led by female employees who have just returned from maternity leave → *Asobon! Gummy*, product development from a mother’s perspective
  - We have addressed LGBT issues by providing in-company training and establishing a basic policy and consultation service.
  - The Kanro Farm, an indoor herb garden, was opened in 2020 (designed to enable people with disabilities and seniors to participate).

* A video highlighting our diversity activities is available at the link below:
（Reference）Video with comments on winning the New Diversity Management Selection 100 in FY2020:
URL:https://youtu.be/4pnazT0hvNc (Video message in Japanese only)

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Asobon! Online Zoo



Kanro and the Gunma Safari Park (Tomioka City, Gunma Prefecture) collaborated for the first time on a project in which, with the cooperation of the Gunma Safari Park, the director of the zoo explained the modes of life of various animals. In addition to images of animals that we don’t normally get to see, content was provided that gave a sense of immediacy even though it was online. This included the Virtual Feeding Experience, in which participants were able to experience feeding time through video, Animal Quiz, Question Time with the Zoo Director and others. With excursions restricted during the COVID-19 pandemic, we offered a program for general viewers that both adults and children can enjoy as they learn animal trivia and habitats from home.



Overview of Kanro’s Asobon! Online Zoo Event

■Date	4:00 – 5:00pm (participants will be allowed to join from 3:50pm) April 27, 2021 (Tuesday)
■Streaming	Zoom (we plan to stream from YouTube for the general viewer at the same time)
■Content	A Kanro employee will explain *Asobon! Gummy* and the voting for the animal the children would like to be, a video of the online zoo (Virtual Feeding Experience, Asobon! Quiz), Question Time with the Zoo Director

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(Supplementary Materials 1) 【Summary of Financial Results】

Quarterly

Unit: Million yen

	FY2020					FY2021					FY2020 Q1 vs. FY2021 Q1	
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year	YoY	YoY%
Net sales	6,112	5,040	5,001	7,166	23,321	5,439				24,600	(672)	(11.0)%
Operating income	439	(95)	(173)	665	836	91				840	(347)	(79.1)%
Ordinary income	439	(88)	(161)	670	860	93				860	(346)	(78.7)%
Net income	333	(94)	(96)	467	610	109				590	(224)	(67.3)%

*Quarterly results are simple differences.

1H/2H

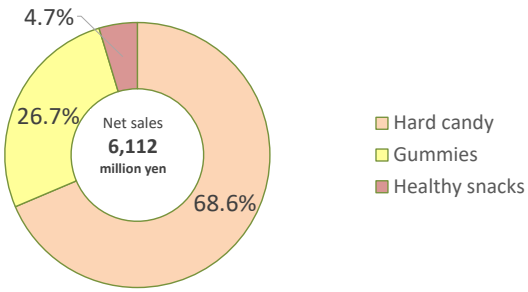
Unit: Million yen

	FY2020 (Results)			FY2021 (Plan)			FY2020 vs. FY2021	
	1H	2H	Full year	1H	2H	Full year	1H	2H
Net sales	11,152	12,168	23,321	11,700	12,900	24,600	4.9%	6.0%
Operating income	344	492	836	270	570	840	(21.6)%	15.8%
Ordinary income	351	509	860	280	580	860	(20.3)%	13.8%
Net income	239	371	610	150	440	590	(37.3)%	18.6%

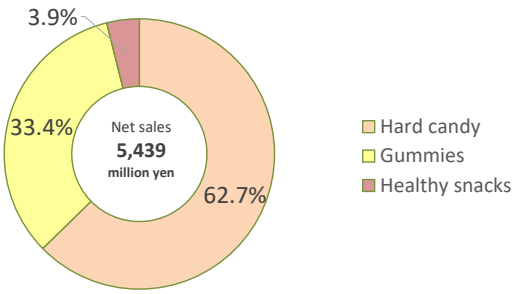
*Results and plan for each half are simple differences.

Composition of net sales

FY2020 Q1



FY2021 Q1



[Sales amount by type from Jan. to Mar. (YoY%)]

Unit: Million yen

	FY2020 Q1	FY2021 Q1	YoY%
Hard candy	**4,194**	**3,409**	(18.7)%
Gummies	**1,632**	**1,819**	11.4%
Healthy snacks	**285**	**211**	(25.9)%
Total	**6,112**	**5,439**	(11.0)%

*The values displayed in these materials are truncated at the million-yen level, so the totals and ratios may not always match completely.

(Supplementary Materials 2)【 Non-consolidated Statements of Income/Three Months Ended March 31】

【 Unit: Million yen】

Account items	FY2020 Q1		FY2021 Q1		FY2020 Q1 vs. FY2021 Q1	
	Amount	%	Amount	%	YoY	YoY%
Net sales	**6,112**	100.0%	**5,439**	100.0%	**(672)**	**(11.0)%**
Cost of sales	3,133	51.3%	**2,865**	52.7%	**(267)**	(8.5)%
Gross profit	2,979	**48.7%**	**2,574**	**47.3%**	**(404)**	(13.6)%
Freight/warehousing costs	334	5.5%	**318**	5.8%	**(16)**	(4.8)%
Sales promotion expenses	151	2.5%	**192**	3.5%	**40**	26.6%
Advertising expenses	76	1.3%	**71**	1.3%	**(4)**	(6.0)%
Agent fees	821	13.4%	**718**	13.2%	**(103)**	(12.6)%
Selling expenses	1,383	22.6%	**1,300**	23.9%	**(83)**	(6.0)%
Personnel expenses	773	12.7%	**799**	14.7%	**25**	3.3%
General expenses	382	6.3%	**382**	7.0%	**0**	0.2%
General and administrative expenses	1,155	18.9%	**1,182**	21.7%	**26**	2.3%
Selling, general and administrative expenses	2,539	41.5%	**2,482**	45.6%	**(57)**	**(2.2)%**
Operating income	**439**	**7.2%**	**91**	**1.7%**	**(347)**	**(79.1)%**
Non-operating income	2	0.0%	**4**	0.1%	**1**	65.9%
Non-operating expenses	2	0.0%	**2**	0.0%	**0**	2.5%
Non-operating income and expenses	0	0.0%	**1**	0.0%	**1**	810.0%
Ordinary income	**439**	**7.2%**	**93**	**1.7%**	**(346)**	**(78.7)%**
Gain on sales of investment securities	47	0.8%	**83**	1.5%	**35**	74.1%
Extraordinary income	47	0.8%	**83**	1.5%	**35**	74.1%
Loss on retirement of non-current assets	0	0.0%	**2**	0.1%	**2**	-
Impairment loss	0	0.0%	**17**	0.3%	**16**	-
Extraordinary losses	0	0.0%	**19**	0.4%	**19**	-
Extraordinary income and losses	47	0.0%	**63**	1.2%	**16**	34.2%
Income before income taxes	487	8.0%	**157**	2.9%	**(329)**	(67.7)%
Total income taxes	153	2.5%	**48**	0.9%	**(105)**	(68.6)%
Net income	**333**	**5.5%**	**109**	**2.0%**	**(224)**	**(67.3)%**

*The values displayed in these materials are truncated at the million-yen level, so the totals and ratios may not always match completely.

(Supplementary Materials 3)【Financial Indicators FY2016－FY2021/Plan】

Consolidated ← → Non-consolidated (FY2021 figures planned; all others actual)

		Consolidated		Non-consolidated				Plan
Fiscal Year	Unit	FY2016	FY2017	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales *1◎	million yen	19,716	21,303	21,301	22,949	24,039	23,321	**24,600**
Net sales YoY	%	0.2	8.0	8.1	7.7	4.7	(3.0)	**5.5**
Gross profit ◎	million yen	8,750	9,791	9,719	10,934	11,358	10,863	—
Gross profit to net sales	%	44.4	46.0	45.6	47.6	47.3	46.6	—
Operating income ◎	million yen	591	935	947	1,003	923	836	**840**
Ordinary income ◎	million yen	612	999	1,001	1,045	1,007	860	**860**
Ordinary income YoY	%	104.2	63.4	49.9	4.4	(3.6)	(14.6)	**(0.1)**
Net income attributable to parent company *2◎	million yen	500	447	593	1,011	651	610	**590**
Net income YoY	%	476.0	(10.6)	8.1	70.3	(35.6)	(6.4)	**(3.4)**
Comprehensive income ◎	million yen	539	602	—	—	—	—	—
Net assets ◎	million yen	9,736	10,003	9,935	10,656	10,827	11,175	—
Total assets ◎	million yen	17,947	18,275	18,064	19,997	19,169	19,779	—
Net assets per share *3,4	yen	1,343.39	1,395.97	1,386.56	1,487.26	1,535.52	1,584.80	—
Basic earnings per share *3,4	yen	69.06	62.19	82.57	141.19	92.36	86.58	**83.67**
Equity ratio	%	54.3	54.7	55.0	53.3	56.5	56.5	—
ROE	%	5.2	4.5	6.1	9.8	6.1	5.5	—
PER	times	21.2	26.1	19.6	12.2	17.4	17.4	—
Cash flow from operating activities ◎	million yen	1,970	1,512	—	949	2,013	1,442	—
Cash flow from investing activities ◎	million yen	(213)	(830)	—	(1,743)	(971)	(1,572)	—
Cash flow from financing activities ◎	million yen	(486)	(855)	—	271	(1,411)	(48)	—
Cash and cash equivalents at end of period ◎	million yen	2,305	2,132	—	1,800	1,430	1,253	—
Number of employees	persons	515	521	485	542	578	601	—
Average numbers of temporary employees, excluded from the number of employees	persons	(174)	(146)	(120)	(118)	(121)	(132)	—
Capital investment ◎	million yen	336	741	—	2,850	1,721	2,090	—
Depreciation ◎	million yen	999	962	—	933	1,102	1,182	—
R&D expenses ◎	million yen	427	527	—	603	664	629	—
Total number of issued shares at the end of the period (not including treasury shares) *3,4	number of shares	7,247,776	7,165,892	7,165,892	7,165,236	7,051,552	7,051,412	**7,051,412**
Dividends per share *3,5	yen	30	30	30	32.5	30	32	**30**
Payout ratio	%	43.4	48.2	36.3	23.0	32.5	37.0	**35.9**

◎: *The values displayed in these materials are truncated at the million-yen level.

*1: Net sales do not include consumption taxes, etc.

*2: "Net income" in the non-consolidated financial statements

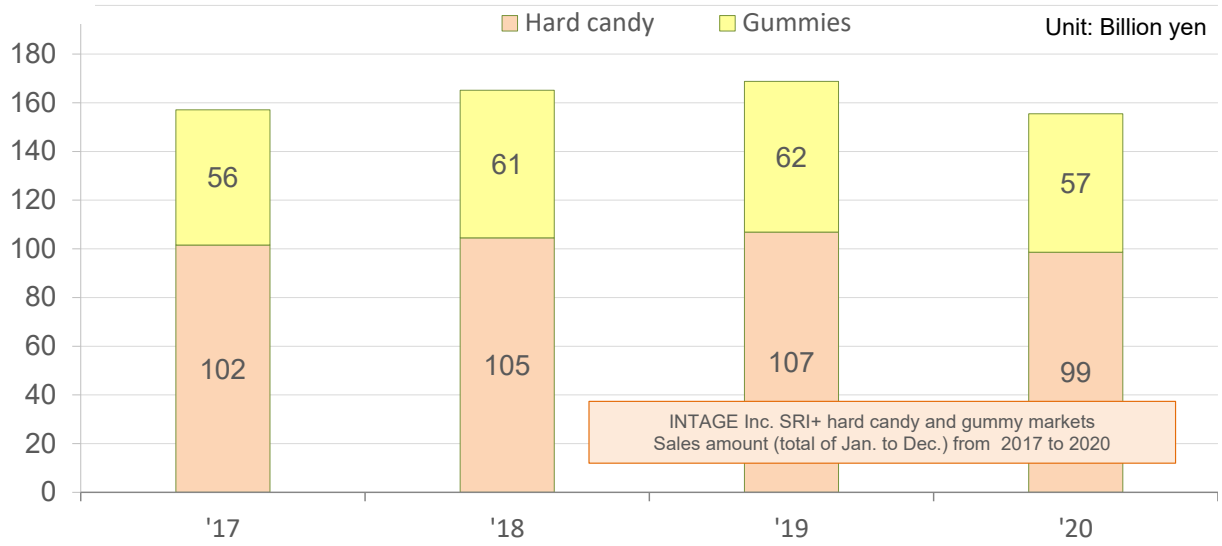
*3: Kanro conducted a share consolidation of common stock at a ratio of one share for five shares effective as of July 1, 2017 and a stock split of its common stock at a two-for-one ratio with the effective date of July 1, 2019. Dividends per share, net assets per share, basic earnings per share, and total number of issued shares at the end of the period (not including treasury shares) are calculated on the assumption that the share consolidation and the stock split were conducted at the beginning of FY2016.

*4: The Company's own shares remaining in the trust that were recorded as treasury shares in shareholders' equity from FY2017 onward are included in treasury shares that are deducted from the total number of issued shares at the end of the period when calculating net assets per share. In addition, these shares are included in treasury shares that are deducted when calculating the average number of shares during the period for the calculation of basic earnings per share.

*5: Dividends per share of FY2018 includes a special dividend of 2.5 yen per share.

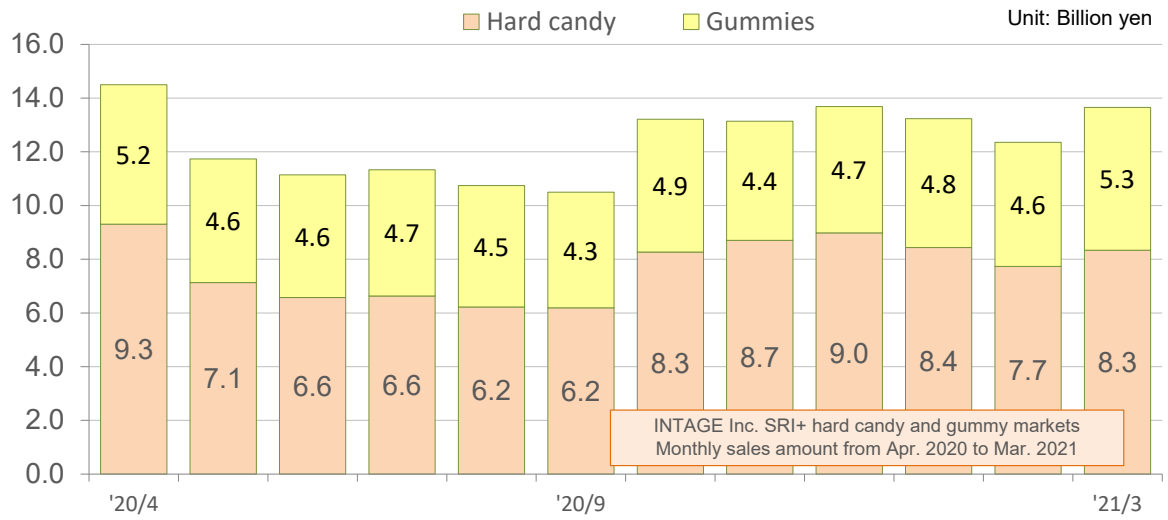
(Supplementary Materials 4) 【Market Trends】

【Market trends】Hard candy＋Gummies sales amount (Yearly)*



*Data change:
Data from 2007 onward was provided through the financial results announcement materials released in February, but due to changes in the method for estimating the data provided by INTAGE Inc., we will provide figures calculated with a new method and provide data for the period from 2017 beginning in Q1 FY2021 (year ended on December 31, 2021). The sales amounts for hard candy and gummies from 2017 to 2020 were retroactively revised using the new method for estimating the data.

【Market trends】Hard candy＋Gummies sales amount (Monthly)*



Unit: Billion yen

【Sales amount from Jan. to Mar. (YoY%)】

	Jan. to Mar. 2020*1	Jan. to Mar. 2021*1	YoY%*2
Hard candy	30.6	24.5	(19.9)%
Gummies	14.9	14.7	(1.1)%
Total	45.5	39.2	(13.7)%

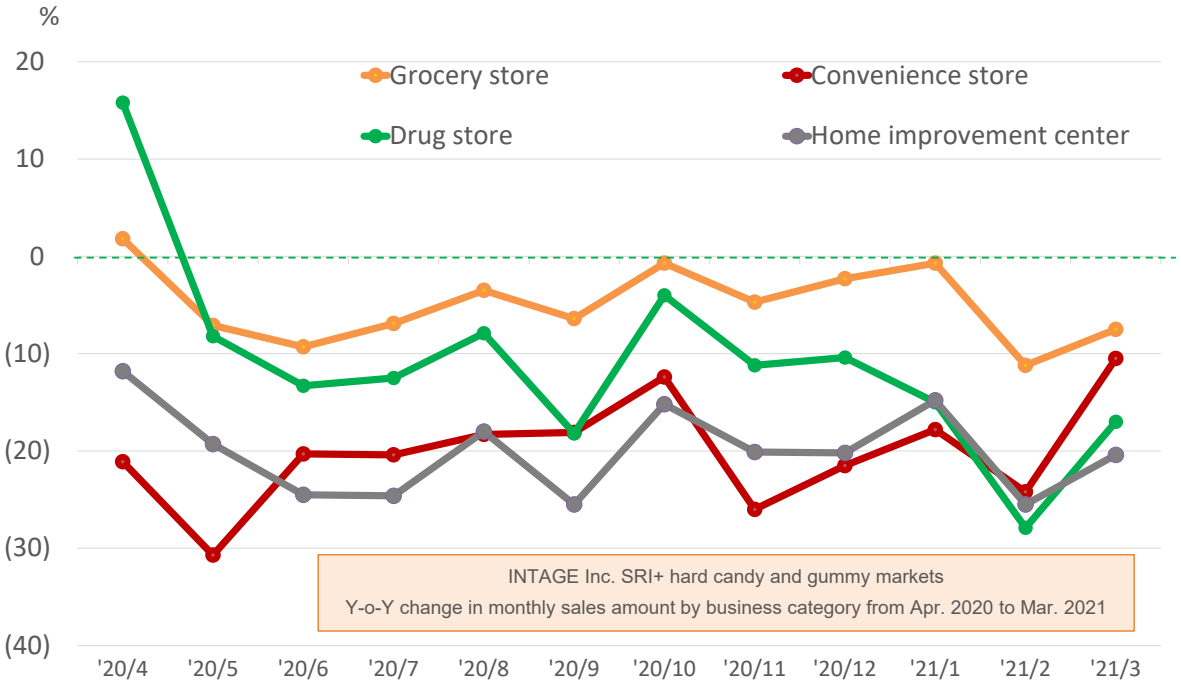
*1 INTAGE Inc. SRI+ hard candy and gummy markets
Sales amount by type from Jan. to Mar. 2020 total and Jan. to Mar. 2021 total

*2 INTAGE Inc. SRI+ hard candy and gummy markets
Y-o-Y change in sales amount by type from Jan. to Mar. 2021 total

*Data change:
These figures were calculated using a new method beginning in Q1 FY2021 (the fiscal year ending on December 31, 2021) due to changes in the method for estimating the data provided by INTAGE Inc.

(Supplementary Materials 5)
【Hard Candy+Gummy Markets Trends by Business Category】

【Business category】Hard candy+Gummy markets YoY% (Monthly)*



Unit: Billion yen

【Sales amount from Jan. to Mar. (YoY%)】

	Jan. to Mar. 2020*1	Jan. to Mar. 2021*1	YoY%*2
Grocery store	18.5	17.3	(6.6)%
Convenience store	16.4	13.5	(17.7)%
Drug store	9.5	7.6	(20.1)%
Home improvement center	1.1	0.8	(20.3)%
Total	45.5	39.2	(13.7)%

*1 INTAGE Inc. SRI+ Hard candy and gummy markets
Sales amount by business category from Jan. to Mar. 2020 total and Jan. to Mar. 2021 total
*2 INTAGE Inc. SRI+ Hard candy and gummy markets
Y-o-Y change in sales amount by business category from Jan. to Mar. 2021 total

*Data change:
Home improvement center data was also included beginning in Q1 FY2021 (the fiscal year ending on December 31, 2021) due to changes in the type of data provided by INTAGE Inc.

(Supplementary Materials 6) 【IR News Apr. 2020 to Mar. 2021】

Date	Content
Mar. 10, 2021	[Delayed] Supplementary Materials: Financial Results for the Fiscal Year Ended December 31, 2020
Mar. 10, 2021	[Delayed] Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2020 [Japanese GAAP]
Dec. 7, 2020	[Delayed] Supplementary Materials: Financial Results for the Nine Months Ended September 30, 2020
Dec. 7, 2020	[Delayed] Non-consolidated Financial Results for the Nine Months Ended September 30, 2020[Japanese GAAP]
Nov. 27, 2020	KANRO CORPORATE REPORT 2020
Sep. 29, 2020	[Delayed] FY2020 Q2 Presentation material
Sep. 3, 2020	[Delayed] Supplementary Materials: Financial Results for the Six Months Ended June 30, 2020
Sep. 3, 2020	[Delayed] Non-consolidated Financial Results for the Six Months Ended June 30, 2020[Japanese GAAP]
Jun. 16, 2020	[Delayed] Supplementary Materials: Financial Results for the Three Months Ended March 31, 2020
Jun. 12, 2020	[Delayed] Non-consolidated Financial Results for the Three Months Ended March 31, 2020[Japanese GAAP]

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https://www.kanro.co.jp/en/ir/news.html

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